

CHAPTER 4.5.6
AGREEMENT PAYMENTS FOR OTHER TRANSACTIONS, GRANTS, AND
COOPERATIVE AGREEMENTS

1. THIS CHAPTER IS ABOUT:

A. This chapter is about the administration of payments on Other Transactions (OT), Grants, and Cooperative Agreements, collectively referred to as “agreements.” *[LINK TO AGREEMENT DEFINITIONS]* Payments may be fixed payments, milestone fixed payments, milestone financing payments, cost reimbursement payments, or advance payments. Each agreement has a provision or article that specifies the method of payment and the conditions that must be met in order for the recipient to receive payment. The format of the request for payment, the approving official, and the supporting documentation required are identified in each agreement.

B. The process output is an approved request for fixed payment, milestone payment, reimbursement payment, or advance payment.

2. WE DO THIS BECAUSE:

A. When delegated, DCMC is responsible for administering payments under OTs and other agreements. Under the terms of these agreements, recipients are entitled to payments as specified in the agreements.

B. The top level metric for this is the RIGHT PRICE. There are no feeder metrics for this process.

3. DCMC POLICY:

When agreements contain fixed payments, it is DoD policy to administer payment to recipients based on performance and delivery criteria prescribed in the agreement. When agreements contain milestone payment provisions, it is DoD policy to administer payment to recipients based on the accomplishment of specific milestones or events prescribed in the agreement. When agreements contain cost reimbursement provisions, it is DoD policy to reimburse recipients for costs incurred to the extent that they meet the reimbursement criteria contained in the agreement. DoD policy generally considers advance payments to be the least preferred method of financing for agreements, and therefore authorizes only those advance payment amounts necessary for near-term recipient performance. **When advance payments are authorized, the Administrative Grants Officer (AGO) shall monitor recipient expenditures to the extent necessary to ensure that the recipient**

does not retain excess funds on a continuing basis and to ensure that any interest accumulated on these funds is remitted to the Government.

4. THE PROCESS AND WHO IS RESPONSIBLE:

A. Process Inputs:

- 1) Agreement containing fixed or milestone or reimbursement or advance payment provisions.
- 2) Recipient request for fixed or milestone or reimbursement or advance payment.

B. Sub-Processes:

- 1) Agreement Receipt and Review
- 2) Agreement Surveillance
- 3) Process Payments

C. Process Mechanisms:

- 1) Surveillance Plan
- 2) AGO Pre-Payment Reviews
- 3) Program Manager Reviews/Approvals

D. Process Controls:

- 1) DoD Grants and Agreements Regulation (DoDGARS) *[LINK]*
- 2) DDP Guide on Section 845/804 Other Transactions for Prototype Projects (TBD)
- 3) DDR&E Revision 1 to Guidance on Instruments for Stimulation or Support of Research Dated Mar 24, 1998 *[LINK]*
- 4) Agreement Terms and Conditions

E. Process Flowchart: *[LINK]*

F. Who does what and when they do it:

1) REVIEW AGREEMENT PAYMENT TERMS:

Upon receipt of the agreement, the AGO shall review the payment terms to ensure that they are appropriate for the agreement and that the criteria are clearly defined. Payment terms should be addressed during postaward orientation or during other initial contacts with agreement recipients.

2) ESTABLISH SURVEILLANCE PLAN:

The AGO shall establish a surveillance plan identifying how performance criteria will be verified and by whom, in what form data/reports will be provided by the recipient, and what types of reviews will be conducted and with what frequency. The surveillance plan shall contain procedures for tracking deliveries, milestone/statement of work completion, and expenditures if payments are not fixed.

3) REVIEW REQUEST FOR PAYMENT:

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Some agreements will permit the recipient to submit payment requests directly to the payment office in accordance with a payment schedule, with only the final payment requiring approval by the AGO. Most agreements will require AGO approval of each payment request. Payment request format will vary from a commercial invoice to an SF 270 [LINK] to an SF 1034 [LINK]. **Upon receipt of a recipient request for payment, the AGO shall review the request for compliance with agreement payment criteria. As a minimum the AGO shall (1) ensure that the request complies with the award, (2) ensure that funds are available to pay the award, and (3) certify that the request for payment is proper and forward the approved request to the disbursing office.**

4) APPROVAL AND PAYMENT OF REQUESTS:

The AGO shall determine whether the event or performance criteria for which the payment is requested have been successfully accomplished in accordance with the agreement. Payment shall not be made prior to accomplishment of the event or criteria. The AGO shall obtain the concurrence of the Government program manager, or other official designated by the agreement, that the milestone has been accomplished prior to approval of milestone payments. [LINK to sample PM Cert]

5) DISAPPROVAL OF PAYMENTS:

The AGO shall coordinate with the Government program manager and awarding officer, as necessary, prior to disapproval of requests for payment. The AGO shall document the agreement file with support for disapproval of payments.

5. ADDITIONAL PROCESS INFORMATION:

- A. Process Improvement Network (TBD)
- B. Payment Chapter, OT Administration Guidebook (TBD)

5. COMPETENCIES AND CERTIFICATIONS REQUIRED TO EXECUTE THIS PROCESS:

- A. DCMC Training Matrix (TBD)
- B. DAWIA Certification in accordance with position held
- C. **The AGO shall be a warranted contracting officer with a letter of appointment as an Administrative Grants Officer**

5. PLAS CODES: TBD

Process Unit Count: Approved Agreement Payment Request

8. POINTS OF CONTACT:

DCMC Headquarters:

Process Owner: Mr. Timothy J. Frank, Contractor Payment and Business Practices (AQOC)

Phone: (703) 767-3431

E-Mail: tim_frank@hq.dla.mil

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Process Champion: Mr. Robert Campbell
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DCMDW:

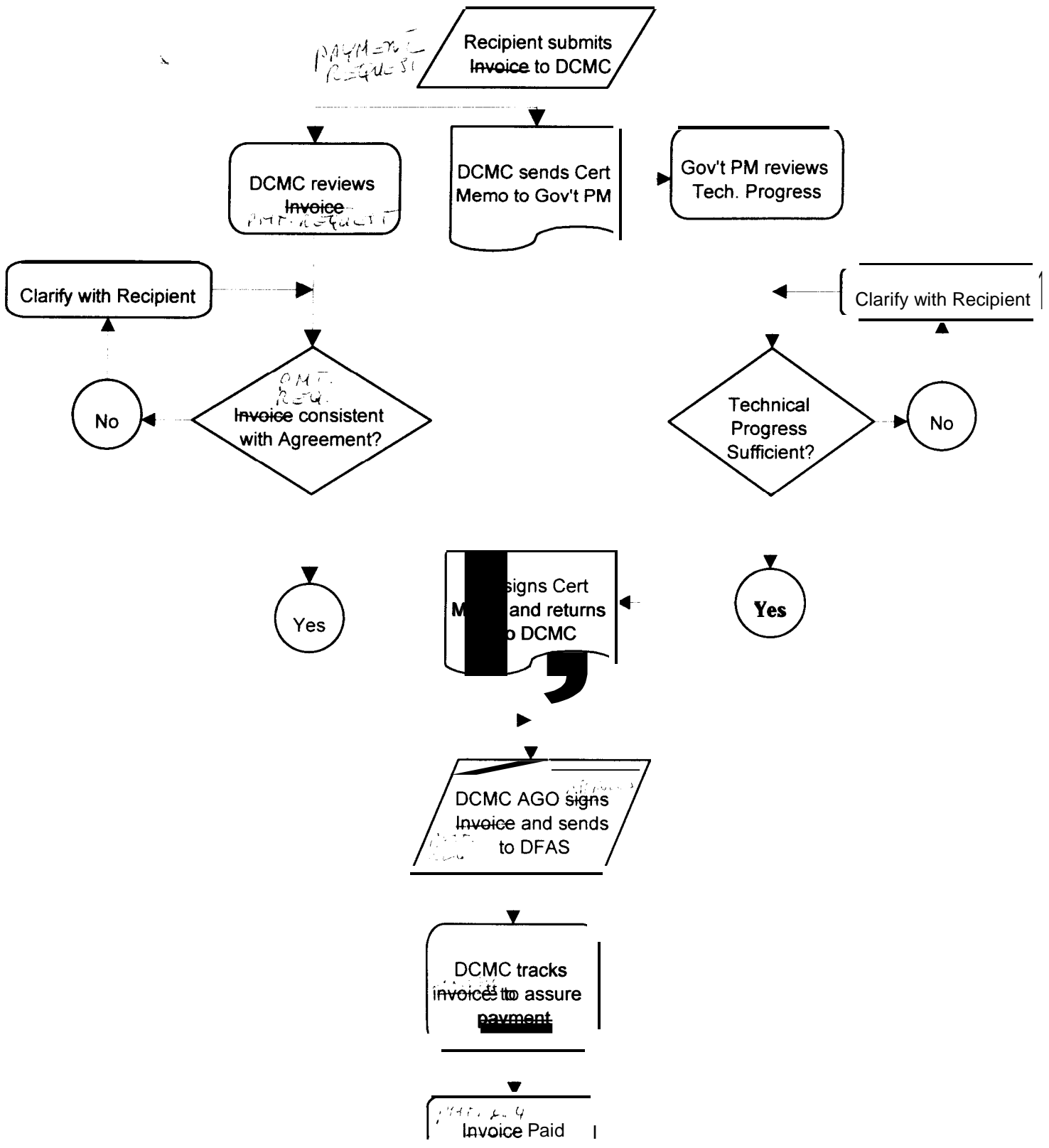
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Chapter 4.5.6 Process Flow Chart [*LINK*]

INVOICE PROCESS FLOWCHART



LINK TO AGREEMENT DEFINITIONS

1. This attachment contains explanations of the terms **grant**, **cooperative agreement**, **other transaction**, **other transaction for research**, **other transaction for prototype or section 845 other transaction**, **technology investment agreement**, **consortium agreement**, and **cooperative agreement under 10 USC 2371 or flexible cooperative agreement**. The information contained in Chapter 4.5.6 applies to these types of agreements.

2. A **grant** is a legal instrument used to enter into a relationship, the principal purpose of which is to transfer a thing of value to the recipient to carry out a public purpose of support or stimulation authorized by a law of the United States, rather than to acquire property or services for the Department of Defense's direct benefit or use. Further, it is a relationship in which substantial involvement is not expected between the Department of Defense and the recipient when carrying out the activity contemplated by the grant. [Source: DODD 3210.6 Defense Grant and Agreement Regulatory System (DGARS), February 27, 1995, DDR&E] [LINK]

3. A **cooperative agreement** is a legal instrument used to enter into the same kind of relationship as a grant except that substantial involvement is expected between the Department of Defense and the recipient when carrying out the activity contemplated by the cooperative agreement. . [Source: DODD 3210.6 Defense Grant and Agreement Regulatory System (DGARS), February 27, 1995, DDR&E] [LINK]

4. The term "**other transactions**" (OTs) means transactions other than contracts, cooperative agreements, and grants. The Secretary of Defense and Secretary of each Military Department are authorized by 10 USC 2371 to use OTs in carrying out basic, applied, and advanced research projects. Because OTs include any type of instrument that isn't a contract, cooperative agreement, or grant, they include various types of instruments that could be used to carry out research projects, such as: (1) assistance instruments other than cooperative agreements or grants; and (2) instruments used for acquisition, other than procurement contracts. [Source: Appendix to Revision 1 to Guidance on Instruments for Stimulation or Support of Research, March 24, 1998, DDR&E] [LINK]

5. Two types of commonly used other transactions include:

Other transactions authorized by the basic 10 USC 2371 authority for basic, applied and advanced research projects. This type of other transaction is generally used

*to provide support or stimulation (i.e., "assistance") and is commonly referred to as an **other transaction for research** or a 10 USC 2371 other transaction.*

*Other transactions are authorized by 10 USC 2371, as supplemented by section 845 of Public Law 103-160 and section 804 of Public Law 104-201, for prototype projects directly relevant to weapons or weapon systems proposed to be acquired or developed by the DoD. This type of other transaction is an acquisition instrument, commonly referred to as an **other transaction for a prototype project or a section 845 other transaction**. [Source: Guide on Section 845/804 Other Transactions for Prototype Projects, Draft, DDP]*

*6. DDR&E Memorandum dated December 2, 1997, as updated by DDR&E Memorandum dated March 24, 1998 [LINK] established **technology investment agreements** (TIAs) as a single class of assistance instruments to replace two instruments used by the Defense Advanced Research Projects Agency (DARPA) and the Military Departments under the 1994 DDR&E guidance. TIAs are a class of assistance instruments that may be used to carry out basic, applied, and advanced research projects, when it is appropriate to use assistance instruments and the research is to be performed by for-profit firms or by consortia that include for-profit firms, particularly firms that traditionally have not done business with the Government. The two types of instruments replaced by TIAs effective December 1997 are consortium agreements and cooperative agreements under 10 USC 2371:*

*"**Consortium agreement**" is the name DARPA gave to a specific type of OT that it began developing in 1990. The instrument was designed principally to stimulate or support research that is related to dual-use technology and performed by consortia that include for-profit firms. Consortium agreements include provisions to enable their use for that purpose.*

*"**Cooperative agreements under 10 USC 2371**": Part 37 of the Interim Guidance Draft DoD Grant and Agreement Regulations, or DoDGARs (Attachment 2 of the 1994 DDR&E guidance) authorized the tailoring of provisions of cooperative agreements to facilitate participation in defense research by for-profit firms. The 1994 guidance named those instruments "cooperative agreements under 10 USC 2371" because, at the time the guidance was drafted, authority to use cooperative agreements was in 10 USC 2371. (That authority subsequently was moved to 10 USC 2358, where it serves as authority for all types of cooperative agreements for research and development, not just the one type herein described.) The Military Departments began in 1994 to use such instruments, which also have been called "**flexible cooperative agreements**." [Source: Revision 1 to Guidance on Instruments for Stimulation or Support of Research, March 24, 1998, DDR&E] [LINK]*

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**SAMPLE
MILESTONE
COMPLETION CERTIFICATION**

CERTIFICATION FOR PAYMENT FOR: (Insert name of Government Program
Manager and Office Symbol)

AGREEMENT NUMBER:

RECIPIENT: Name of Recipient
 Street Address
 City, State ZIP Code

This is to certify that (INSERT RECIPIENT NAME) has completed Payable Milestone _____ and has provided to me for review and concurrence the payable Milestone Report required by the terms and conditions of the agreement. I hereby certify that technical progress is sufficient to substantiate payment in the amount of \$_____ in accordance with Invoice _____.

Program Manager

DATE